Da Afghanistan Bank
Instructions for Financial Reports: ODC's
Frequency: Monthly

Appendix XIV

G u i d e l i n e s

FOR COMPLETING THE MONTHLY REPORT ON ASSETS AND LIABILITIES OF OTHER DEPOSITORY CORPORATIONS (ODC)

I. OBJECTIVE

These Guidelines are intended to facilitate the other depository corporations (or ODCs, which comprise the commercial banks and other banks that accept deposits included in the national definition of broad money) to compile and submit the monthly report on assets and liabilities of ODCs (ODCs' monthly report) to the Da Afghanistan Bank (DAB) for the monetary statistics compilation.

II. SUBMISSION OF ODCs' MONTHLY REPORT

ODCs' monthly report should be completed and submitted on a monthly basis to DAB in an electronic format and in a hard copy by the 15th calendar day after the end of the reference month.

III. COVERAGE AND STRUCTURE OF ODCs' MONTHLY REPORT

All assets and liabilities reported on ODCs' monthly report for each reporting ODC should be on an unconsolidated basis[1]. Assets and liabilities in ODCs' monthly report should be disaggregated in to claims on and liabilities to residents and nonresidents according to the concept of residence as explained in paragraph c) of Section IV below. The amounts should be expressed in national currency unit with breakdown by type of currency into Afghani, U.S. dollar, and other currencies. In addition, domestic assets and liabilities should be disaggregated by type of instruments and by sector of the economy. Total assets should be equal to total liabilities.

IV. UNIT, VALUATION, AND RESIDENCY

a) National Currency Unit

The standard unit of ODCs' monthly report is the national currency unit (Afghani). Therefore, it is necessary to convert all foreign-currency-denominated positions into national currency amounts. Positions denominated in foreign currency should be converted to national currency values at the market exchange rate prevailing at the time to which balance sheet applies The midpoint between the buying and selling rates of exchange should be used for this conversion.

b) Valuation

The general principle is that tradable financial instruments should be valued at market prices. If market prices are not available, fair values or approximations of market prices

[1] Assets and liabilities of a reporting bank should not consolidate with assets and liabilities of its branches operating abroad and its subsidiaries, both domestic and foreign.

should be used. For compiling ODCs' monthly report, the asset and liability positions for these tradable instruments should be revalued on the basis of the market prices that prevail on the balance sheet date. Other valuation rules apply to assets and liabilities in the form of deposits and loans (and most categories of other accounts receivable/payable) and to liabilities in the form of shares and other equity (see the specific information on the valuation of these instruments in Section V.)

All changes in the values of assets and liabilities that are not recorded in the profit and loss accounts should be recorded in the valuation adjustment account within shares and other equity on the liability side of ODCs' monthly report. Accrued interest on deposits, loans, and securities other than shares should be incorporated into the outstanding amount of these underlying financial asset or liability.

c) Residency

Residency of customers should be based on the economic center of interest of the transactor, rather than nationality, currency of denomination, or legal definitions. All institutional units that have a location—dwelling, place of production, or other premises—within the economic territory of Afghanistan from which they engage in a significant amount of economic activities in Afghanistan should be considered residents in Afghanistan.

Individuals have centers of economic interest in Afghanistan when their principal residences are in Afghanistan. If they live and work abroad and expect to remain abroad for more than a year, individuals typically cease to be residents of Afghanistan.

However, some transactors in the reporting country, regardless of their centers of economic interest, are always considered to be nonresidents; particularly, embassies and consulates and their foreign-national employees, international organizations, tourists, foreign nationals expecting to stay in the reporting country for less than a year, and technical assistance personnel of foreign governments.

V. SECTORS

Sectorization of the institutional units in the economy is a key element in the compilation and presentation of the ODC monthly report. Major categories of assets and liabilities must be disaggregated into relevant sectors and subsectors. In ODCs' monthly report, most categories of assets and liabilities are disaggregated by the following sectors:

Central Bank
Other Depository Corporations
Other Financial Corporations
Central Government
Local Government
Public Nonfinancial Corporations
Other Nonfinancial Corporations
Other Resident Sectors, and
Nonresidents

Central bank: The central bank is the national financial institution that exercises control over key aspects of the financial system and carries out such activities as issuing currency, managing international reserves, transacting with the IMF, and providing credit to other depository corporations. In Afghanistan, it is Da Afghanistan Bank.

Other depository corporations (ODCs): They consist of all resident financial corporations (except the central bank) and quasi-corporations that are mainly engaged in financial intermediation and that issue liabilities included in the national definition of broad money. ODCs are usually commercial banks, merchant banks, savings banks, savings and loan associations, mortgage banks, credit unions etc. In Afghanistan, ODCs include all commercial banks, branches of foreign banks, and other banks that accept deposits included in the national definition of broad money.

Other financial corporations: They consist of insurance companies, pension funds, other financial intermediaries (e.g. finance companies provided credit to nonfinancial enterprises and households, financial leasing companies, individuals or firms specialized in security market transactions etc.) and financial auxiliaries (financial corporations engaged in activities closely related to financial intermediation but do not act as intermediaries).

Public and other nonfinancial corporations: Nonfinancial corporations sector encompasses corporations and quasi-corporations engaging primarily in the production of goods and nonfinancial services. The nonfinancial corporations sector is divided into public and other nonfinancial corporations. Public nonfinancial corporations are those controlled by government, while other nonfinancial corporations comprise foreign-controlled and national private nonfinancial corporations.

Central and local governments: Central government exercises legislative, judicial, or executive authority over other institutional units within a specified area. The central government consists of departments, branches, agencies, foundations, institutes, nonmarket nonprofit institutions controlled and mainly financed by central government, and other publicly controlled engaging in nonmarket activities. The definition of local government is similar to that of central government. The difference is that the local governments operate at the local level (e.g., municipalities). Social security funds are classified as central government or local government on the basis of the level at which they operate.

Other resident sectors: They comprise the households sector and sector of the nonprofit institutions serving households sector. A household is defined as a small group of persons who share the same living accommodation, pool some or all of their income and wealth, and consume certain types of goods and services (mainly housing and food) collectively. Unattached individuals are also considered households. The nonprofit institutions serving households sector comprises a subset of nonprofit institutions. They are mainly engaged in providing goods and services to households or the community at large free of charge or at prices that are not economically significant.

Nonresidents: See paragraphs on residency above for the definition of nonresidents. In ODCs' monthly report, nonresidents are not sectorized.

VI. INSTRUMENTS

The assets and liabilities in ODCs' monthly report are classified by the following type of financial instruments and into nonfinancial assets:

Currency
Deposits
Securities other than shares
Loans
Shares and other equity
Financial derivatives
Other accounts receivable/payable
Nonfinancial assets

ASSETS

Currency

This asset category includes cash holdings of the reporting bank. National currency: All notes and coins that are of fixed nominal values, are accepted as legal tender in the domestic economy and are issued by the central bank. This category should also include currency that is no longer legal tender, but that can be exchanged for current legal tender. Foreign currency: Notes and coins that have been issued by nonresidents - usually, by foreign central banks or foreign governments.

Transferable deposits

These are transferable deposits made by the report bank with other deposit taking sectors. Transferable deposits are all deposits that are (1) exchangeable on demand at par and without penalty or restriction and (2) directly usable for making payments by check, draft, giro order, direct debit/credit, or other direct payment facility. Transferable deposits include special savings accounts with a possibility of direct payments to third parties, savings account balances subject to automatic transfer to regular transferable deposits, and money-market fund shares that have unrestricted third-party transferability privileges.

Deposits denominated in national currency should be recorded at book value (outstanding amount plus accrued interest). Deposits denominated in foreign currency should be recorded in national currency as provided for in Section IV. a and b. These valuation principles apply to other deposits as well.

Other deposits

These are other deposits made by the report bank with other deposit taking sectors. They include all claims, other than transferable deposits that are represented by evidence of deposit. Other deposits include:

- Sight deposits (which permit immediate cash withdrawals but not direct third-party transfers);
- Savings and fixed-term deposits;

- Financial corporations' liabilities in the form of shares or similar evidence of deposit that are, legally or in practice, redeemable immediately or at relatively short notice;
- Shares of money-market funds that have restrictions on third-party transferability.

Securities other than shares

This asset category includes securities other than shares held by the reporting bank. Securities other than shares are negotiable instruments serving as evidence that units have obligations to settle by means of providing cash, a financial instrument, or some other item of economic value. Common types of securities other than shares are government treasury bills, government bonds, corporate bonds and debentures, commercial paper, and negotiable certificates of deposits. Loans that became negotiable should also be classified under this category.

Loans

These are loans extended by the reporting bank to other banks and other sectors. Loans are financial assets that (1) are created when a creditor lends funds directly to a debtor and (2) are evidenced by non-negotiable documents. This category includes all loans and advances extended to various sectors by financial corporations. This category includes commercial loans, mortgage loans, consumer loans, hire-purchase credit, loans to finance trade credit, financial leases, securities repurchase agreements, and possibly other types of loan arrangements. The valuation of loans is an exception to valuation based on market price. The valuation of loans denominated in national currency units should be based on the book value of creditors' outstanding claims (outstanding principal plus accrued interest) without adjustment for expected loan losses. The valuation of loans denominated in foreign currency should be based on the book value in foreign currency units multiplied by the market exchange rate.

Shares and other equity

This asset category records the reporting bank's investments in shares and other equity of other banks and other sectors. Shares and other equity are instruments acknowledging, after the claims of all creditors have been met, claims on the residual value of a corporation. This category includes proprietors' net equity in quasi-corporations, as well as shares and other equity in corporations. It also includes preferred stock that provides for participation in the residual value upon dissolution of a corporation.

Financial derivatives

This asset category records the asset positions of the reporting bank arising from financial derivative transactions. Financial derivatives are financial instruments that are linked to a specific financial instrument, indicator, or commodity, and through which specific financial risks (such as interest-rate, currency, equity, commodity-price, or credit risk) can be traded in their own right in financial markets. The value of a financial derivative derives from the price of an underlying item such as an asset or index. The two broad types of financial derivatives are forward-type contracts and option contracts.

Other accounts receivable

Consist of trade credit and advances and other. Trade credit and advances comprise trade credit extended directly to corporations, government, nonprofit institutions, households, and the rest of the world and advances for work that is in progress (or is to be undertaken) and prepayment for goods and services.

The “other accounts payable” subcategory separately identifies dividends receivable and miscellaneous asset items. Dividends receivable on corporate shares arise from the recording of dividends when the dividends are declared, rather than later when the dividends are paid. Miscellaneous asset items should include all accounts not elsewhere classified in the balance sheets.

Nonfinancial assets

Consist of (1) tangible assets, both produced and nonproduced, and (2) intangible assets for which no corresponding liabilities are recorded. Produced assets consist of fixed assets, inventories, and valuables (which are acquired and held primarily as stores of value). Fixed assets should include only those assets that are related to the activity of the reporting financial corporation. Fixed assets should be shown in a book value excluding accumulated depreciation of fixed assets, which are shown within other accounts payable – other.

Land should be classified within other nonfinancial assets. Land is not a produced asset and, therefore, it is not included in fixed assets, which arise from fixed capital formation. This category includes gold holdings, holdings of commemorative notes and coins, works of art, and assets other than financial instruments that have been acquired by an institution as part of a settlement for bad debts that were collateralized by these assets.

LIABILITIES

Deposits

Transferable deposits and other deposits issued by the reporting bank. See asset instruments for descriptions of deposits by type. Restricted deposits are those deposits for which withdrawals are restricted on the basis of legal, regulatory, or commercial requirements.

Securities other than shares

This category includes securities other than shares issued by the reporting bank. See asset instruments for a description of securities other than shares.

Loans

All loans and advances extended by various sectors to the reporting bank. See asset instruments for a description of loans.

Financial derivatives

This liability category should record the liability positions of the reporting bank arising from financial derivative transactions. See asset instruments for a description of financial derivatives.

Other accounts payable

Consist of trade credit and advances and other. Trade credit and advances comprise trade credit received in purchasing goods and services directly from corporations, government, nonprofit institutions, households, and the rest of the world and advances received for work that is in progress (or is to be undertaken) and prepayments received for goods and services.

The "other accounts payable" subcategory separately identifies dividends payable, provision for loan losses, accumulated depreciation, and miscellaneous liability items. Dividends payable arise from the recording of dividends on the financial corporation's shares at the time when the dividends are declared, rather than when paid. Miscellaneous liability items should include all accounts not elsewhere classified in the financial corporations' balance sheets.

Shares and other equity

See asset instruments for a general description of shares and other equity. This category is divided into the following separate components:

- *Funds contributed by owners* include the amount from the initial and any subsequent issuance of shares, stocks, or other form of ownership of corporations and quasi-corporations (excluding the amount of financial corporations' holdings of its own shares).
- *Retained earnings* constitute all after-tax profits that have not been distributed to shareholders or appropriated as general or special reserves. Retained earnings should be valued as the nominal amount of earnings retained.
- *Current year result* constitutes accumulated revenues less expenses for the current year if such profit or loss has not been included in retained earnings. Current year result should be valued as the nominal amount of revenue less expense.
- *General and special reserves* are appropriations of retained earnings. General and special reserves should be valued as the nominal amounts of such reserves.
- *Valuation adjustment* represents the net counterpart to all changes in the values of assets and liabilities on the balance sheets of financial corporations except for valuation changes recorded in the profit or loss accounts. The valuation adjustment is market valued by definition. The valuation adjustment includes any valuation adjustments arising from differences between the valuations in the national accounting standards and the monetary statistics methodology.